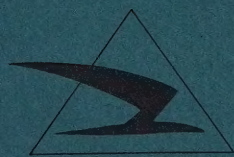


Annual Report  
1966



**SPARTAN**







**S P A R T A N**  
**Air Services Limited**  
**and its Subsidiaries**

**Annual Report**

**FOR THE YEAR ENDED OCTOBER 31, 1966**



## SUBSIDIARY COMPANIES

Sulmac Exploration Services Limited  
Toronto, Canada

Velocity Surveys Limited  
Calgary, Alberta

Spartan Air Services, S.A.  
Buenos Aires, Argentina

Meridian Airmaps Limited  
Lancing, England

## DIRECTORS

W. P. McGill

B. E. McGill

F. C. McConnell

E. A. Glick

D. W. McLarty

M. Pezim

## TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

Toronto

Montreal

Winnipeg

Vancouver



## *To the Shareholders:*

### *Introduction*

The concept of "Total Resource Engineering" is not entirely new, but it has in recent years taken on more depth and significance in a world faced with tremendous population and economic growth.

The present use of land and its potential productivity in relation to soils, climate, rainfall and other factors must be under constant study. The location of water and its value in irrigation and the production of power is of great concern. The demand for lumber for construction and wood pulp for the production of paper and synthetic materials requires careful stock taking of the world's forests, operational planning for cutting and marketing, and most important, a programme of regeneration.

Exploration for oil and minerals, location of construction materials, mapping of unexplored areas, engineering plans for dam sites, roads, railways and townsites and management of these programmes, from initial planning to final production: these are some of the activities of the Spartan Companies.

Over the past few years efforts have been directed toward evolving and promoting a new company image. These have resulted in a unique integration of capabilities extending Spartan's long established involvement in aerial photography, helicopter operations, mapping, natural resource inventory and management, into the fields of economic analysis, market research and sociological studies. This is a logical growth of the basic "stock taking" activities. Integrated, these activities can be described as "Total Resource Engineering."

Diversification and growth, resulting in higher earnings has always been the company's major objective. Flexibility, governed by economic factors, is a prerequisite. Fortunately, the company's activities are not seriously affected by day-to-day fluctuations of economic factors. This can be explained by the fact that a large percentage of the company's activities are under the sponsorship of senior governments or international agencies for whom the services provided by the company are in constant and growing demand.

It is, therefore, possible to present this report in an atmosphere of achievement and optimism. The outlook for the 1967 fiscal year is, to say the least, encouraging and a further important advance in earnings is anticipated.

### *Financial Results*

A study of the statement of earnings and balance sheet which follows will show good progress in all sectors. Consolidated net earnings for the period amounted to \$418,347 equivalent to 17.5 cents per common share and representing an increase of 27.9% over the 1965 fiscal year.

Acquisition of new equipment by all companies during the year has resulted in an increase of some \$600,000 in the value of capital assets.

During the latter part of the year, the Company's Canadian operation has been operating on a reduced line of credit from prior years which has made the financial operation of the Company extremely difficult. This has been caused by the "tight money" policy in effect in the country during this period, and as a result the traditional short term borrowings required in the winter months have been extremely difficult to obtain on the same basis as in prior years. You will observe in the notes to the balance sheet that, because of this situation, debentures have been given as collateral security for short term loans. These debentures will be discharged in the Spring of 1967 when the normal trading pattern of the Company is resumed.

Other financial data of interest is shown in graph form elsewhere in this report.

### *Employees*

Although there has been significant changes in the number of employees by companies in the group, the total remains unchanged at approximately 700.

The majority of the employees are highly skilled technicians and many are experienced and widely recognized professionals. The ratio of professional engineers and earth scientists to other staff has increased appreciably in the course of the year.

### *Shareholders*

The number of shareholders of record at October 31, 1966, was 2365, up some 733 from the prior year.



## *The Year in Review*

The year started with the appointment of a new President to Spartan Air Services Limited, Mr. D. W. McLarty, resident in Ottawa, the head office and main plant of the company. In the past, Mr. W. P. McGill, fulfilled this function from the Toronto Office, the corporate headquarters of the Group. At the same time, Mr. W. P. McGill was elected Chairman of the Board and continues in the role of Chief Executive Officer of all companies.

Mr. D. W. McLarty was formerly Vice-President of Marketing, and was largely responsible for the organization and activities of the overseas subsidiary and associate companies.

The programme to improve facilities and update equipment was continued during the year. The steadily increasing volume of business has inevitably generated requirements for new equipment acquisitions and additional accommodation.

Arrangements have been concluded for the erection of a new building on Riverside Drive in Ottawa. These premises will house the administrative staff and engineering functions of Spartan Air Services Limited. Completion is scheduled for mid-March 1967.

The building will provide efficient working space for the Mapping, Geophysical Compilation and Resource Development Departments and will include an up-to-date photographic laboratory to support these departments as well as the aerial photographic operations. It provides for the foreseeable expansion in the immediate future and the property is large enough to permit extensions to the building or the erection of new quarters when the need arises.

The building has been acquired on a lease-back basis and we look forward to an era of improved efficiency at little, if any, additional cost for accommodation.

Sulmac Exploration Services Limited and the corporate headquarters of the Group leased new offices in a recently completed building in downtown Toronto. This will provide the mining exploration company with efficient and conveniently located premises in the centre of Canada's mining activity and, in fact, the birthplace of much of the mining activity around the world.

Again, because of increased participation in the oil exploration field in Western Canada, Velocity Surveys Limited found it necessary to add an extension to the new plant in Calgary.

This extension should provide for the anticipated increase in volume of business in the 1967 fiscal year.

Spartan Air Services S.A. in Argentina has experienced a marked change on the emphasis of its activities and this has required another move to larger premises in Buenos Aires to accommodate the growing engineering functions of this Company.

It is hoped that these moves will result in greater efficiency and output of all companies in the Group. With the completion of the building in Ottawa, all companies, including Meridian Airmaps Limited in the United Kingdom, will be housed in functional premises.

Substantial acquisitions of capital equipment were essential to the continued growth of the companies and reflects the increasing demand for the services provided by Spartan. Some purchases were required to modernize existing facilities. Included in these acquisitions were aircraft, aerial cameras, airborne and ground geophysical equipment, photogrammetric and photographic laboratory equipment and airborne electronic devices.

Highlights of the company's activities in Canada included continued participation in the Canada Land Inventory, a 1.2 million square mile survey of resources by the Federal Government, using unique computerized storage and retrieval facilities for map information. Spartan was engaged to advise on the development of the computer mapping system to analyze the vast amount of resource and socio-economic data and to research their significance. The actual land-use inventory maps for the Province of Saskatchewan are being produced from Spartan aerial photography interpreted by Spartan photo-interpreters.

Other important contracts in the fields of natural resources and socio-economics were secured during the year and will be continued in the 1967 fiscal period.

The Federal-Provincial aeromagnetic programmes in the Polar Shelf, the Northwest Territories, the Provinces of Manitoba and Newfoundland, were continued during the year and provided the magnetic compilation section with a satisfactory back-log of work. An important addition to this programme was the award of a \$1 million contract to perform an aeromagnetic survey in the Province of Quebec.

A marked increase in photogrammetric mapping contracts was attained, permitting this



department of the company to operate at full production during the winter months. The level of helicopter and other flying operations was maintained and provided vital support to the company's field and engineering activities, as well as to those of its clients in industry and government.

Sulmac Exploration Services Limited enjoyed a much improved year in ground geophysical survey mainly due to the high degree of activity in the mining industry in Canada's North-West. Although there will be a reasonable volume of work in the ground survey industry in 1967, it is not expected to reach the levels of the past two years.

In Western Canada, Spartan was active in the development of the \$10 million dam on the Pembina River, west of Edmonton, the first step in a 20-year scheme to augment Alberta's water resources. As well as overseeing the engineering investigations for the proposed Pembina dam, Spartan is rounding out the preparatory studies with a careful economic analysis of the total benefits and costs of the project.

Velocity Surveys Limited enjoyed the most active year in the history of the Company, reflecting an increase of 38% in sales volume over the prior year, with a marked improvement in earnings. The Company entered the 1967 fiscal period with all its crews fully committed.

Abroad, Spartan continues to be very active in the Middle East, East Africa and Argentina.

In Kenya, Spartan has been engaged since 1963 on an inventory of indigenous forest and exotic softwood plantations. This Canadian External Aid contract required aerial photography, mapping and field sampling of 8,000 square miles; inventory and mapping of 60,000 acres of plantation; and training of Africans in inventory techniques. Indigenous forest areas have been studied to determine suitability for plantation. During the Kenya project, Spartan developed a unique computer compilation programme, which may be used for any other forest inventory in any part of the world.

Since January 1965, Spartan has also been engaged on a major topographical mapping project in Tanzania for the Canadian External Aid Office. This programme, designed to provide base maps for a major agricultural development scheme in the Kilombero Valley and to provide the basis for resource surveys and development in the entire southwest sector of Tanzania has now progressed to the stage where the end product is being delivered. It is gratifying to report

that all deliveries will be made within the contract term and that the maps as produced have been rated by the clients as being of at least an equal standard to those produced by the best British and European cartographic agencies.

Your officers are hopeful that the success of this work will result in further External Aid projects being assigned to your Company.

The Company has consistently taken advantage of the opportunities arising out of participation in the External Aid programme to successfully compete in the world market for other foreign work.

During the year, Spartan Air Services S.A. in Argentina secured two important contracts with a combined worth in excess of one million dollars. Together with previously held contracts, this Company is assured of sustained activity and growth for the foreseeable future.

The operations of Meridian Airmaps Limited in the United Kingdom have been much improved over the year, and a larger portion of the total mapping market has been obtained resulting in increased profits. The financial environment appears to have improved in the country and sales were up in the last quarter considerably over those of a comparable period in the prior year.

## *Outlook*

It is difficult to view the forthcoming and subsequent years with anything but optimism; a record of achievement has now been firmly established. It is confidently believed that with diligent direction and management the company will sustain the rate of growth enjoyed over the past few years.

However, no measure of complacency can be permitted if full advantage is to be taken of the potential available. Sustained growth must be supported by cash generated from operations. This requires constant control and vigilance.

The outlook based on the common factors of back-log and sales, economics in Canada and abroad, stated Government policies in matters of fiscal control, assistance to developing countries, and all other intelligence available to the directors and management, indicate ever increasing opportunities for the company in the year ahead.

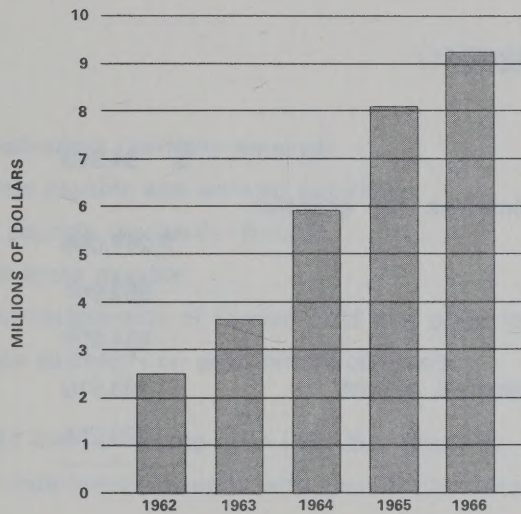
Presented on behalf of the Board.

W. P. McGill,  
Chairman.

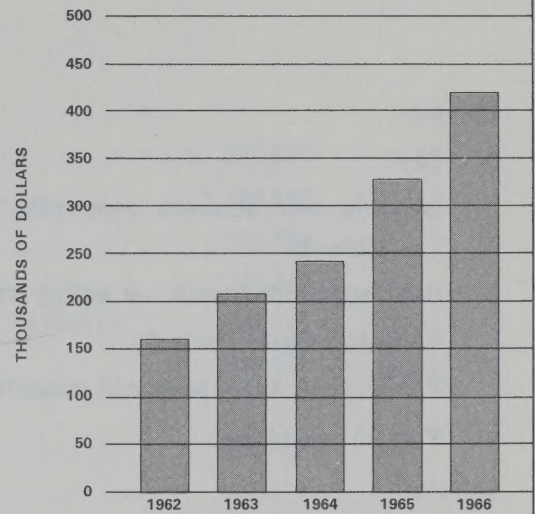


## Graphical Record of Progress — 1962-1966

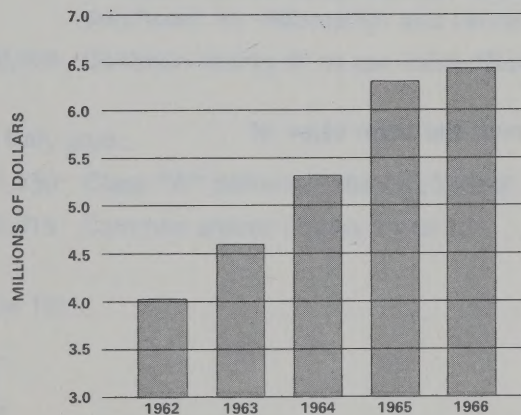
### SALES



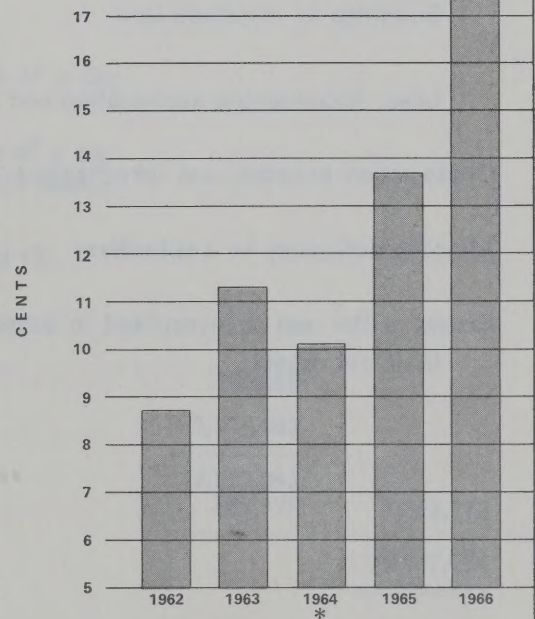
### NET INCOME



### GROSS ASSETS



### EARNING PER SHARE



1962 FIGURES NOT CONSOLIDATED

\* - 500,000 SHARES ISSUED DURING PERIOD



# Spartan Air Services Limited

## Consolidated Balance Sheet as at December 31, 1964

### ASSETS

#### Current:

Cash.....	\$ 34,396	
Deposits and accounts receivable, less allowance for doubtful accounts.....	2,267,096	
Unbilled contract work—at selling price.....	362,961	
Work-in-process (Note 3).....	634,226	
Components, spare parts and miscellaneous supplies, at cost.....	403,919	
Prepaid expenses.....	200,251	\$3,902,849

#### Fixed (at cost):

Aircraft and aerial cameras.....	1,965,734	
Other equipment.....	2,543,541	
Buildings on leasehold land.....	294,443	
	4,803,718	
Less: Accumulated depreciation and amortization.....	2,611,410	2,192,308

Organization expense, less amortization..... 108,996

Minority deficiency in a subsidiary..... 8,347

Excess of the cost of investment in subsidiaries over the book value of their net assets..... 235,154

\$6,447,654

Approved on behalf of the Board:

"D. W. McLARTY", Director.

"W. P. McGILL", Director.



# and Its Subsidiaries

t October 31, 1966

## LIABILITIES

### Current:

Bank advances (partially secured).....	\$ 295,910	
Accounts payable and accrued liabilities.....	1,144,580	
Loans payable (secured) (Note 7).....	733,405	
Income taxes payable.....	29,342	
Current instalments of funded debt and other long-term liabilities	427,495	
Advance payments on government contracts.....	506,441	\$3,137,173

Funded debt and other long-term liabilities (Note 6).....	944,803	
Less: Instalments included with current liabilities.....	427,495	517,308

## SHAREHOLDERS' EQUITY

### Capital Stock:

#### Authorized:

- 1,350 6% Cumulative Class "A" preferred shares of a par value of \$100 each, redeemable at par.
- 8,500 6% Cumulative Class "B" preferred shares of a par value of \$100 each, redeemable at par, less 457 shares purchased for redemption and cancelled.
- 3,000,000 Common shares of no par value (Notes 9 and 13).

### Issued and fully paid:

1,350 Class "A" preferred shares (Note 8).....	135,000
2,387,015 Common shares (Notes 9 and 13).....	3,018,943

	3,153,943	
Deficit (Note 12).....	360,770	2,793,173
		<u>\$6,447,654</u>

The notes to the consolidated financial statements are an integral part of this statement.



# Spartan Air Services Limited and Its Subsidiaries

## Consolidated Statement of Earnings For the Year Ended October 31, 1966

Sales.....		\$9,225,323
Operating costs.....		8,170,703
Profit before taking into account the following items.....		1,054,620
Depreciation and amortization of fixed assets.....	\$ 366,276	
Amortization of organization expense.....	18,000	
Interest on funded debt and other long-term liabilities.....	46,295	
Legal fees.....	4,525	
Remuneration of executive officers including subsidiaries.....	177,991	
Minority interest in earnings of subsidiary.....	25,325	
	638,412	
Less: Miscellaneous income.....	4,187	634,225
		420,395
Provision for income taxes.....		2,048
Net profit.....		\$ 418,347

## Consolidated Statement of Deficit For the Year Ended October 31, 1966

Balance, November 1, 1965.....		\$ 557,135
Less:		
Net profit.....	\$ 418,347	
Prior years' adjustments.....	42,923	461,270
		95,865
Add:		
Unrealized loss on exchange on conversion of accounts of foreign subsidiary.....		264,905
		\$ 360,770

The notes to the consolidated financial statements are  
an integral part of this statement.



## AUDITORS' REPORT

To the Shareholders of  
SPARTAN AIR SERVICES LIMITED

We have examined the consolidated balance sheet of Spartan Air Services Limited and its subsidiaries as at October 31, 1966, and the consolidated statements of earnings and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and deficit present fairly the financial position of the company and its subsidiaries as at October 31, 1966, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARBINSON, GLOVER & CO.

Chartered Accountants

Toronto, Ontario,  
February 14, 1967.



# Spartan Air Services Limited and Its Subsidiaries

Notes to Consolidated Financial Statements as at October 31, 1966

**Note 1.** The consolidated statements include 100% of Sulmac Exploration Services Limited, Velocity Surveys Limited, Badger Drilling Co. Ltd., and Spartan Air Services S.A. and 51% of Meridian Airmaps Limited. There are other subsidiaries not consolidated which are inactive and are valued at \$1.00 each.

**Note 2.** The accounts of Spartan Air Services S.A. are included in the consolidated balance sheet at the rate of exchange of \$.0050 Canadian to 1 (one) Argentine peso with the exception that fixed assets, incorporation expense and issued capital are converted at the rates of exchange effective at the dates of acquisition. The accounts of Meridian Airmaps Limited are included in the consolidated statements at the rate of exchange of \$3.00 Canadian to £1 Sterling.

**Note 3.** Work-in-process:

At selling price, less estimated profit margin.....	\$144,047
At cost.....	490,179
	<u>\$634,226</u>

**Note 4.** The loan due to the Industrial Development Bank, secured by a first, fixed and specific charge on the Company's aircraft and equipment and a first floating charge on all other property and assets provides for the following payments—\$15,000 by December 23, 1966 and thereafter \$7,500 a month until paid. Interest rate is computed at 7% per annum payable monthly.

**Note 5.** The sinking fund requirements of the series "A" debentures provides for an annual principal redemption of \$72,000 on the first day of December, 1966 to 1969 inclusive.

**Note 6.** Funded debt and other long-term liabilities include the following obligations:

Notes payable under conditional sales contracts— (maturing 1966-1971).....	\$506,803
Bank loan of Meridian Airmaps Limited (secured).....	45,000
Industrial Development Bank Loan (secured)—(Note 4).....	105,000
6% Sinking fund debentures Series "A" (secured)—(Note 5).....	288,000
	<u>\$944,803</u>

**Note 7.** The loans payable are secured by specific assignments of trade accounts receivable. As collateral security to the loans the Company and a Subsidiary have executed Debentures of \$700,000 and \$150,000 respectively, which provide for a charge on all their assets and ranking after the funded debt and other long-term liabilities. The \$700,000 Debenture was issued subsequent to October 31, 1966.

**Note 8.** Dividends aggregating \$72,900 on the Class "A" preferred shares are in arrears for the fiscal years 1958 to 1966, inclusive. Under the rights and privileges attached to those shares, each share carries the right to 100 votes when dividends are in arrears for two or more years.

**Note 9.** At October 31, 1966 there were stock options outstanding to purchase 100,000 common shares of the Company at \$.50 a share, expiring December 31, 1968. This option has subsequently been exercised.

Subsequent to October 31, 1966 an option has been granted to purchase 150,000 common shares of the Company at \$.50 a share, expiring December 31, 1970.

**Note 10.** An executive bonus based on consolidated profits before taxes is in effect until February 1973. The executive has the option of taking payment of the bonus in cash or common stock. If an election is made for payment in stock the price per share is to be related to the selling price of the Company's shares on the Canadian Stock Exchange at the end of the fiscal year to which the bonus applies.

**Note 11.** A subsidiary company is contingently liable as a guarantor for mortgages of approximately \$28,800.

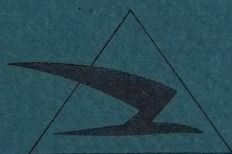
**Note 12.** Included in the deficit account is a contributed surplus of \$147,768 and a capital surplus of \$45,700 being an appropriation set aside under The Canada Corporations Act, section 61 (4). There were no changes in these items during the year.

**Note 13.** In December 1966 the Company obtained a \$100,000 short term loan maturing April 30, 1967. As prime security for the said loan the Company issued a Debenture for the same amount and the loan was personally guaranteed by an officer of the Company. The holder of the debenture has the right at any time up to April 25, 1967, to convert the principal amount of the debenture into 200,000 common shares of the company at the price of \$.50 per share.

**Note 14.** The Company and its subsidiaries have entered into agreements to lease properties for various periods up to 99 years. The net rentals for the next five years will be approximately \$90,000 per year.



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**SPARTAN**



